

The World Trade Organization...

...In brief, the World Trade Organization (WTO)

is the only international organization dealing with the global rules of trade between nations.

Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

The result is assurance. Consumers and producers know that they can enjoy secure supplies and greater choice of the finished products, components, raw materials and services that they use. Producers and exporters know that foreign markets will remain open to them.

The result is also a more prosperous, peaceful and accountable economic world. Decisions in the WTO are typically taken by consensus among all member countries and they are ratified by members' parliaments. Trade friction is channelled into the WTO's dispute settlement process where the focus is on interpreting agreements and commitments, and how to ensure that countries' trade policies conform with them. That way, the risk of disputes spilling over into political or military conflict is reduced.

By lowering trade barriers, the WTO's system also breaks down other barriers between peoples and nations.

At the heart of the system—known as the multilateral trading system—are the WTO's agreements, negotiated and signed by a large majority of the world's trading nations, and ratified in their parliaments. These agreements are the legal ground-rules for international commerce. Essentially, they are contracts, guaranteeing member countries important trade rights. They also bind governments to keep their trade policies within agreed limits to everybody's benefit.

The agreements were negotiated and signed by governments. But their purpose is to help producers of goods and services, exporters, and importers conduct their business.

The goal is to improve the welfare of the peoples of the member countries.



THE MULTILATERAL TRADING SYSTEM—PAST, PRESENT AND FUTURE

The World Trade Organization came into being in 1995. One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War.

So while the WTO is still young, the multilateral trading system that was originally set up under GATT is already 50 years old. The system celebrated its golden jubilee in Geneva on 19 May 1998, with many heads of state and government leaders attending.

The past 50 years have seen an exceptional growth in world trade. Merchandise exports grew on average by 6% annually. Total trade in 1997 was 14-times the level of 1950. GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth.

The system was developed through a series of trade negotiations, or rounds, held under GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The latest round—the 1986-94 Uruguay Round—led to the WTO's creation.

The negotiations did not end there. Some continued after the end of the Uruguay Round. In February 1997 agreement was reached on telecommunications services, with 69 governments agreeing to wide-ranging liberalization measures that went beyond those agreed in the Uruguay Round.

In the same year 40 governments successfully concluded negotiations for tariff-free trade in information technology products, and 70 members concluded a financial services deal

covering more than 95% of trade in banking, insurance, securities and financial information.

At the May 1998 ministerial meeting in Geneva, WTO members agreed to study trade issues arising from global electronic commerce.

The next ministerial conference is due to be held in the United States in late 1999.

In 2000, new talks are due to start on agriculture and services and possibly a range of other issues.

THE ORGANIZATION

FUNCTIONS

The WTO's overriding objective is to help trade flow smoothly, freely, fairly and predictably. It does this by:

- Administering trade agreements
- Acting as a forum for trade negotiations
- Settling trade disputes
- Reviewing national trade policies
- Assisting developing countries in trade policy issues, through technical assistance and training programmes
- Cooperating with other international organizations

STRUCTURE

The WTO has more than 130 members, accounting for over 90% of world trade. Over 30 others are negotiating membership.

Decisions are made by the entire membership. This is typically by consensus. A majority vote is also possible but it has never been used in the WTO, and was extremely rare under the WTO's predecessor, GATT. The WTO's agreements have been ratified in all members' parliaments.

The WTO's top level decision-making body is the **Ministerial Conference** which meets at least once every two years.

Below this is the **General Council** (normally

ambassadors and heads of delegation in Geneva, but sometimes officials sent from members' capitals) which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.

At the next level, the **Goods Council, Services Council** and **Intellectual Property (TRIPS) Council** report to the General Council.

Numerous **specialized committees, working groups** and **working parties** deal with the individual agreements and other areas such as the environment, development, membership applications and regional trade agreements.

The first Ministerial Conference in Singapore in 1996 added three new working groups to this structure. They deal with the relationship between trade and investment, the interaction between trade and competition policy and transparency in government procurement. At the second Ministerial Conference in Geneva in 1998 ministers decided that the WTO would also study the area of electronic commerce, a task to be shared out among existing councils and committees.

SECRETARIAT

The WTO Secretariat, based in Geneva, has around 500 staff and is headed by a director-general. It does not have branch offices outside

Geneva. Since decisions are taken by the members themselves, the Secretariat does not have the decision-making role that other international bureaucracies are given.

The Secretariat's main duties are to supply technical support for the various councils and committees and the ministerial conferences, to provide technical assistance for developing countries, to analyze world trade, and to explain WTO affairs to the public and media.

The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO. The annual budget is roughly 122 million Swiss francs.

WTO AGREEMENTS

How can you ensure that trade is as fair as possible, and as free as is practical? By negotiating rules and abiding by them.

The WTO's rules—the agreements—are the result of negotiations between the members. The current set were the outcome of the 1986–94 Uruguay Round negotiations which included a major revision of the original General Agreement on Tariffs and Trade (GATT).

GATT is now the WTO's principal rule-book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement, and trade policy reviews. The complete set runs to some 30,000 pages consisting of about 60 agreements and separate commitments (called schedules) made by individual members in specific areas such as lower customs duty rates and services market-opening.

Through these agreements, WTO members operate a non-discriminatory trading system that spells out their rights and their obligations. Each country receives guarantees that its exports will be treated fairly and consistently in other

countries' markets. Each promises to do the same for imports into its own market. The system also gives developing countries some flexibility in implementing their commitments.

GOODS

It all began with trade in goods. From 1947 to 1994, GATT was the forum for negotiating lower customs duty rates and other trade barriers; the text of General Agreement spelt out important rules, particularly non-discrimination.

Since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods. It has annexes dealing with specific sectors such as agriculture and textiles, and with specific issues such as state trading, product standards, subsidies and actions taken against dumping.

SERVICES

Banks, insurance firms, telecommunications companies, tour operators, hotel chains and transport companies looking to do business abroad can now enjoy the same principles of freer and fairer trade that originally only applied to trade in goods.

These principles appear in the new General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under GATS stating which of their services sectors they are willing to open to foreign competition, and how open those markets are.

INTELLECTUAL PROPERTY

The WTO's intellectual property agreement amounts to rules for trade and investment in ideas and creativity. The rules state how copyrights, trademarks, geographical names used to identify products, industrial designs, integrated circuit layout-designs and undisclosed information such as trade secrets—"intellectual property"—should be protected when trade is involved.

DISPUTE SETTLEMENT

The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly.

Countries bring disputes to the WTO if they think their rights under the agreements are being

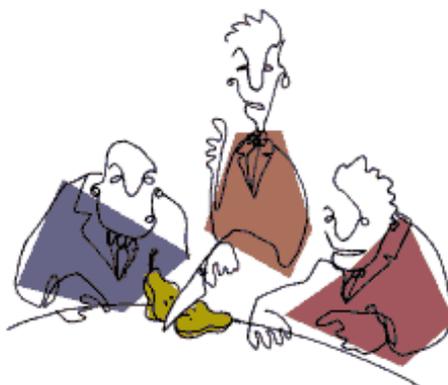
infringed. Judgements by specially-appointed independent experts are based on interpretations of the agreements and individual countries' commitments.

The system encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, stage-by-stage procedure that includes the possibility of a ruling by a panel of experts, and the chance to appeal the ruling on legal grounds. Confidence in the system is borne out by the number of cases brought to the WTO—167 cases by March 1999 compared to some 300 disputes dealt with during the entire life of GATT (1947–94).

POLICY REVIEW

The Trade Policy Review Mechanism's purpose is to improve transparency, to create a greater understanding of the policies that countries are adopting, and to assess their impact. Many members also see the reviews as constructive feedback on their policies.

All WTO members must undergo periodic scrutiny, each review containing reports by the country concerned and the WTO Secretariat. Over 54 members have been reviewed since the WTO came into force.



DEVELOPING COUNTRIES

DEVELOPMENT AND TRADE

Over three quarters of WTO members are developing or least-developed countries. Special provisions for these members are included in all the WTO agreements. They include longer time periods for implementing agreements and commitments, measures to increase trading opportunities for these countries, provisions requiring all WTO members to safeguard the trade interests of developing countries, and support to help developing countries build the infrastructure for WTO work, handle disputes, and implement technical standards.

In 1997, a high-level meeting on trade initiatives and technical assistance for least-developed countries brought their concerns to centre stage.

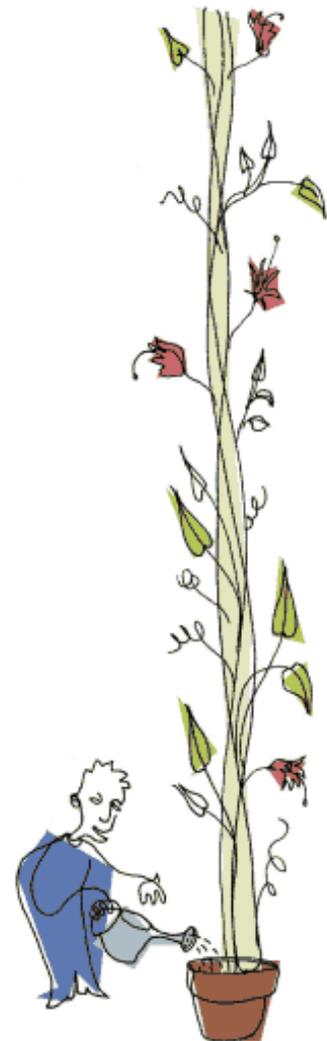
The meeting involved six intergovernmental agencies and resulted in an “integrated framework” to help least-developed countries increase their ability to trade, and some additional preferential market access agreements.

A committee on trade and development, assisted by a sub-committee on least-developed countries, looks at developing countries’ special needs. Its responsibility includes implementation of the agreements, technical cooperation, and the increased participation of developing countries in the global trading system

TECHNICAL ASSISTANCE AND TRAINING

The WTO organizes around 100 technical cooperation missions to developing countries annually. It holds on average three trade policy courses each year in Geneva for government officials. Regional seminars are held regularly in all regions of the world with a special emphasis on African countries. Training courses are also organized in Geneva for officials from countries in transition from central planning to market economies.

In 1997/98, the WTO set up reference centres in over 40 trade ministries in capitals of least-developed countries, providing computers and internet access to enable ministry officials to keep abreast of events in the WTO in Geneva through online access to the WTO’s immense database of official documents and other material.



FACT FILE

The WTO

Location: Geneva, Switzerland

Established: 1 January 1995

Created by: Uruguay Round negotiations (1986–94)

Membership: 134 countries (as of February 1999)

Budget: 122 million Swiss francs for 1999

Secretariat staff: 500

Head: Director-general

Functions:

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations

FURTHER INFORMATION

The World Trade Organization in Brief and 10 benefits of the WTO and 10 common misunderstandings about the WTO

companion pamphlets in this series.

Trading into the Future: Introduction to the WTO

in booklet and interactive electronic versions, obtainable from WTO publications, downloadable from the WTO website <http://www.wto.org>

Guide to the Uruguay Round Agreements

by the WTO Secretariat, published jointly by the WTO and Kluwer Law International

Focus magazine

the WTO's monthly newsletter, also obtainable from the WTO website.

The WTO website:

<http://www.wto.org>, including "About the WTO" at <http://www.wto.org/wto/about/about.htm>

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